

## Message Text

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ACTION EUR-12

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TO SECSTATE WASHDC 3525

INFO AMEMBASSY BONN

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AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY STOCKHOLM

USMISSION NATO

DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 4198

E.O. 11652: XGDS-4

TAGS: ELAB, PINT, PO

SUBJ: MINISTER OF LABOR COMMENTS ON POLITICAL SITUATION AND  
AZORES

SUMMARY: LABOR MINISTER COSTA MARTINS INDICATES PRIME MINISTER  
GONCALVES WILL FORM GOVERNMENT OF POLITICAL INDEPENDENTS WHICH  
WILL HAVE BROAD LEFTIST SUPPORT. PPD AND PS BLUNDERED IN  
LEAVING GOVERNMENT. LIKELIHOOD OF FUTURE ELECTIONS ENDANGERED  
BY ACTIONS OF POLITICAL PARTIES THEMSELVES. OPPORTUNITY EXISTS  
FOR FORMATION OF NEW POLITICAL GROUP BETWEEN PS AND PCP, IN  
WHICH COSTA MARTINS COULD TAKE ROLE. PORTUGUESE PEOPLE PASSIVE  
ON AZORES ISSUE BUT GOVERNMENT WOULD FORCIBLY RESIST ANY  
INDEPENDENCE MOVE. MINISTER COOPERATING WITH INDUSTRIAL  
CONFEDERATION IN PREPARING HIS CONTRIBUTION TO NEW ECONOMIC  
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PLAN. NEW FOREIGN INVESTMENT CODE IMMINENT AND WILL

ENCOURAGE FOREIGN INVESTMENT. END SUMMARY

1. FOLLOWING PARAGRAPH SUMMARIZE VIEWS EXPRESSED BY MINISTER OF LABOR COSTA MARTINS JULY 24 DURING INFORMAL MEETING WITH LABATT. COSTA MARTINS IS CONSIDERED A CONFIDANT AND POLITICAL ALLY OF PRIME MINISTER GONCALVES.

2. POLITICAL OUTLOOK: MINISTER ADMITTED HE HAD SEPTN AFTERNOON OF JULY 23 WORKING WITH THE PRIME MINISTER TO RESOLVE "POLITICAL CRISIS." HE EMPHASIZED THAT SOCIALISTS AND PPD MADE SERIOUS MISTAKE IN LEAVING GOVERNING COALITION AND RESULTS WILL NOT BE WHAT THE PARTIES ANTICIPATED. PARTIES CONTINUE TO FOLLOW MISTAKEN POLICIES AND MARIO SOARES IS MAKING SAME ERROR AS SPINOLA--ONLY WORSE-- IN THINKING HE HAS SUPPORT AMONG PEOPLE. GONCALVES WILL FORM GOVERNMENT OF "INDEPENDENTS" WHICH WILL OBTAIN BROAD LEFTIST SUPPORT.

3. POSSIBILITY OF NEW PARTY: LABOR MINISTER MAINTAINED THAT IF NEW ELECTIONS HELD TODAY, SOCIALISTS MIGHT OBTAIN SAME PERCENTAGE OF VOTES AS BEFORE, BUT ONLY AT EXPENSE OF PPD AND CDS WHICH WOULD RECEIVE MUCH SMALLER PERCENTAGES. HE CLAIMED THAT SOCIALIST PARTY LEADERSHIP HAS ALIENATED LEFT WING PF ARTY, WHICH IS NOW ADrift. COMMUNIST PARTY HAS NOT GAINED SUPPORT WITH RESULT THAT WIDE GAP HAS OPENED BETWEEN PS AND PCP WAITING TO BE FILLED BY NEW POLITICAL FORCE. THIS NEW GROUPING WOULD ATTRACT NON-COMMUNIST POLITICAL ELEMENTS AND MUCH OF ARMED FORCES MOVEMENT. MINISTER REJECTED IDEA THAT ROSA COUTINHO MIGHT LEAD SUCH A GROUPING. HE ALLOWED AS HOW HE PERSONALLY MIGHT BE ABLE TO DO SO IF NOT ALREADY OVERBURDENED BY HIS DUTIES ON REVOLUTIONARY COUNCIL, COUNCIL OF MINISTERS, ECONOMIC COUNCIL AND AT MINISTRY OF LABOR. (COMMENT: IDEA OF LEADING SUCH A NEW POLITICAL FACTION IS OBVIOUSLY NOT UNATTRACTIVE TO MINISTER.)

4. ELECTIONS IN DOUBT: MINISTER ASSERTED THAT PS AND PPD LEADERSHIP NOW FOLLOWING COURSE WHICH IS HIGHLY DANGEROUS FOR THE LIBERTIES WHICH THEY CLAIM TO DEFEND. MINISTER DOUBTED THAT MUNICIPAL AND CONGRESSIONAL ELECTIONS WOULD BE HELD IF OPPOSITION PERSISTS WITH CURRENT ATTITUDES. MINISTER  
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REJECTED IMPORTANCE OF DEMONSTRATED SOCIALIST STRENGTH AT POLLS, AND ARGUED THAT THIS REPRESENTED ONLY VOTES, NOT MEN. AS A MILITARY PERSON HE LOOKED TO SEE WHERE STRENGTH LAY, AND MARIO SOARES AND HIS SOCIALISTS DO NOT CONTROL FORCE, NEITHER THROUGH POPULAR SUPPORT NOR THROUGH INFLUENCE IN MILITARY.

5. MINISTER DOWNPLAYED IMPORTANCE OF SUPPOSED POLITICAL

TENDENCIES WITHIN REVOLUTIONARY COUNCIL (RC). ATTRIBUTED PRESENT "CRISIS" TO PURE POWER SCRAMBLE AMONG VARIOUS INDIVIDUALS WITHIN RC. MADE SAME CYNICAL OBSERVATION IN REGARD TO LEADERSHIPS OF POLITICAL PARTIES, NOTING THAT BEST THING PARTIES COULD DO WOULD BE TO CHANGE LEADERSHIPS AND RETURN TO GOVERNMENT.

6. AZORES: MINISTER RAISED ISSUE OF AZORES AND CITED NEWSPAPER REPORT THAT STATE DEPARTMENT REPRESENTATIVE HAD RECEIVED AZOREAN INDEPENDENCE DELEGATION. WAS TOLD THAT AZOREANS IN US FREE TO EXPRESS OPINIONS, BUT USG NOT ENCOURAGING MOVEMENT, AND THAT YESTERDAY'S NEWSPAPER HEADLINE IN ERROR AND HAD BEEN DENIED TODAY IN MINISCULE CORRECTION. MINISTER JUDGED THAT "INHERENTLY PASSIVE" PORTUGUESE PEOPLE WOULD NOT REACT TO INDEPENDENCE ATTEMPT IN THE AZORES, BUT THAT GOVERNMENT ITSELF WOULD CERTAINLY DO ALL WITHIN ITS POWER TO PREVENT AND TO DEFEAT ANY MOVE TOWARD AZOREAN INDEPENDENCE. " THE AZORES REPRESENT ENTIRELY DIFFERENT SITUATION FROM THE AFRICAN TERRITORIES, WHICH WE RULED AS FOREIGNERS, WHILE THE AZORES ARE POPULATED BY PORTUGUESE AND ARE IN INTEGRAL PART OF PORTUGAL."

7. NEW ECONOMIC PLAN: MINISTER EMPHASIZED HE IS WORKING ON INPUT TO GOVERNMENT'S FORTHCOMING ECONOMIC PLAN IN CONJUNCTION WITH BASILIO HORTA, A MEMBER OF THE EXECUTIVE COMMITTEE OF THE PORTUGUESE INDUSTRIAL CONFEDERATION. MINISTER SPOKE HIGHLY OF HORTA, SURPRISINGLY SO IN VIEW OF HORTA'S MANAGEMENT ORIENTATION. COSTA MARTINS INDICATED NEW PLAN WOULD MAKE IT CLEAR THAT MANAGEMENT--RATHER THAN WORKERS COMMISSIONS--RETAINS AUTHORITY TO MAKE NECESSARY BUSINESS DECISIONS. MINISTER THEN PROCEEDED TO COMMENT ON TORRINGTON CASE IN MANNER WHICH IMPLIED GOVERNMENT REMAINS POWERLESS TO OVERRIDE ADAMANT WORKERS COMMISSION (SEPTEL).  
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8. FOREIGN INVESTMENT: MINISTER STRESSED IMPORTANCE OF NEW FOREIGN INVESTMENT CODE WHICH IS "IMMINENTLY" READY TO APPEAR, PROBABLY WITHIN THREE WEEKS. SAID CODE WILL DO MUCH TO RELIEVE UNCERTAINTY CURRENTLY PLAGUING FOREIGN BUSINESS COMMUNITY AND TO RESTORE INVESTOR CONFIDENCE.

9. COMMENT: A NOTICEABLE CHANGE HAS COME OVER COSTA MARTINS. HE NO LONGER GIVE THE IMPRESSION OF BEING UNCERTAIN AND A BIT OVERWHELMED BY HIS RESPONSIBILITIES. HE OBVIOUSLY HAS COME TO ENJOY THE ACCOUTERMENTS OF POWER. HE MADE NO EFFORT TO DISGUISE HIS CONTEMPT FOR MARIO SOARES AND FOR THE ELECTORAL STRENGTH WHICH THE SOCIALISTS AND THE PPD REPRESENT. HIS COMMENTS REGARDING IMMINENT ISSUANCE OF FOREIGN INVESTMENT CODE ARE OF INTEREST BUT PREVIOUS STATEMENTS

ALONG THE SAME LINES HAVE NOT BEEN BORNE OUT. EMBASSY  
OBVIOUSLY DIFFERS WITH A NUMBER O POINTS IN HIS  
POLITICAL ASSESSMENT.  
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## Message Attributes

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